

Message Text

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ACTION SS-25

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P 152041Z AUG 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 8789
INFO USUN NEW YORK 1131

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 8099

EXDIS

DEPARTMENT PASS NSC HORMATS

E.O. 11652: GDS
TAGS: ECOSOC, EGEN, UN, VE
SUBJECT: AMBASSADOR YOUNG'S VISIT AND VENEZUELAN PROPOSAL FOR
LONG TERM DEVELOPMENT COOPERATION BETWEEN OPEC AND INDUSTRIALIZED
COUNTRIES.

1. DURING MEETING WITH AMBASSADOR YOUNG ON AFTERNOON OF AUGUST 12, VENEZUELAN PRESIDENT CARLOS ANDRES PEREZ SAID THAT THEY HAD BEEN CONCERNED ABOUT FINDING WAYS TO CHANNEL OPEC SURPLUS FUNDS MORE PRODUCTIVELY INTO INVESTMENTS IN THE DEVELOPING WORLD. HE SUGGESTED THAT THE OPEC COUNTRIES AND THE INDUSTRIALIZED COUNTRIES MIGHT JOIN TOGETHER IN A "MARSHALL-PLAN-LIKE" EFFORT THAT WOULD INVOLVE LONG TERM COMMITMENTS OF RESOURCES AND JOINT PLANNING EFFORTS AMONG THE INDUSTRIALIZED COUNTRIES, THE OIL PRODUCING COUNTRIES AND OTHER DEVELOPING COUNTRIES ON THE USE OF THESE RESOURCES. WITHOUT A PLAN LIKE THIS, HE WAS AFRAID THAT THE WORLD ECONOMY MIGHT PLUNGE INTO A LONG PERIOD OF STAGNATION WHICH WAS NOT GOOD FOR EITHER THE DEVELOPED OR THE DEVELOPING COUNTRIES. PEREZ HAD DISCUSSED THIS IDEA WITH PRESIDENT KREISKY OF AUSTRIA WHO REACTED FAVORABLY. THE IDEA ALSO HAD A FAVORABLE RECEPTION IN DISCUSSIONS AMONG THE OPEC COUNTRIES IN STOCKHOLM IN JUNE.

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2. AMBASSADOR YOUNG THOUGHT THAT THIS WAS AN INTERESTING IDEA. HE WAS PLEASED THAT THE VENEZUELAN WAS TAKING THE INITIATIVE IN PROPOSING MECHANISMS OF FINANCIAL AND TECHNICAL COOPERATION WHICH WOULD BE HELPFUL TO ALL DEVELOPING COUNTRIES.

3. DEPUTY ASSISTANT SECRETARY FRANK (IO) SAID THAT, SPEAKING ONLY PERSONALLY THIS IDEA HAD SOME APPEAL AS PART OF A LONG-TERM MACRO-

ECONOMIC STRATEGY FOR WORLD ECONOMIC GROWTH. A MAJOR PROBLEM FOR THE WORLD ECONOMY IS THE NEED TO MATCH SOURCES OF SAVINGS WITH PRODUCTIVE INVESTMENT OPPORTUNITIES, PARTICULARLY IN THE CAPITAL-POOR DEVELOPING WORLD WHERE MANY ECONOMIC OPPORTUNITIES EXISTED BUT INVESTMENT TENDED TO BE INHIBITED BY SOCIAL AND POLITICAL UNCERTAINTIES. THERE HAS BEEN AN IMPORTANT STRUCTURAL SHIFT IN THE WORLD ECONOMY SINCE THE OIL CRISIS OF 1973-74. SOURCES OF WORLD SAVINGS SHIFTED MORE TOWARD THE OPEC COUNTRIES ALTHOUGH THE DEVELOPED WORLD STILL CONTRIBUTED SUBSTANTIALLY TO WORLD SAVINGS.

4. THE PRIVATE COMMERCIAL AND INVESTMENT BANKS HAVE BEEN THE MAJOR INSTITUTIONS CHANNELING SAVINGS INTO PRODUCTIVE INVESTMENTS BUT THEY CANNOT BEAR ALL THE BURDEN, ESPECIALLY IN REGARD TO FINANCING OF BASIC INFRASTRUCTURE PROJECTS WHICH ARE REQUIRED TO COMPLEMENT PRIVATE COMMERCIAL INVESTMENTS. THE EFFORTS OF THE PRIVATE BANKS NEED TO BE SUPPLEMENTED WITH A PUBLIC SECTOR INVESTMENT EFFORT. IT SEEMED APPROPRIATE THAT THE TWO BIG GROUPS OF SAVING COUNTRIES, THE OIL SUPPLUS COUNTRIES AND THE INDUSTRIALIZED COUNTRIES, OUGHT TO JOIN IN A COOPERATIVE VENTURE OF THIS SORT. IF CAST IN TERMS OF A GLOBAL MACRO-ECONOMIC RATIONALE, IT COULD HAVE A BASIC APPEAL TO OUR OWN SELF-INTEREST IN AVOIDING WORLD ECONOMIC STAGNATION.

5. PRESIDENT PEREZ AND AMBASSADOR YOUNG AGREED THAT THE
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IDEA DESERVED FURTHER EXPLORATION AND THAT WE WOULD CONTINUE CONSULTATIONS ON IT.

6. SUBSEQUENT TO THE PEREZ-YOUNG WORKING BREAKFAST ON MORNING OF AUGUST 13, VENEZUELAN MINISTER OF STATE PEREZ-GUERRERO AND DIRECTOR OF THE INSTITUTE OF TRADE FIGUERERO MET WITH DEPUTY ASSISTANT SECRETARY FRANK TO FURTHER CONSULT ON THIS IDEA AND OTHER TOPICS.

7. FRANK SAID THAT THE UNITED STATES WOULD LIKE TO INCREASE SUBSTANTIALLY ITS FOREIGN ASSISTANCE BUT NEEDED TO DO THIS IN A POLICY CONTEXT THAT APPEALED TO BOTH OUR SELF-INTEREST AND OUR HUMANITARIAN CONCERNS AND THAT OFFERED SOME REASONABLE PROSPECTS THAT THE AID WOULD BE USED EFFECTIVELY. THIS IS WHY WE FELT THAT ANY LONG-TERM COMMITMENT OF RESOURCES SHOULD HAVE AS PART OF THE PLAN A COMMITMENT OF FUNDS TO MEET BASIC HUMAN NEEDS.

8. PEREZ-GUERRERA CAUTIONED ABOUT ADVERTISING THE PEREZ PROPOSAL AS A WAY TO JUSTIFY THE SUBSTANTIAL INCREASE IN FOREIGN ASSISTANCE THAT WE PLEDGED AT CIEC. WE WERE COMMITTED TO THIS ALREADY. HE ALSO EXPRESSED DOUBT ABOUT TOO MUCH FOCUS

ON BASIC HUMAN NEEDS. THE OIL SURPLUS COUNTRIES WERE
INTERESTED IN PRODUCTIVE INVESTMENTS, NOT A GIVE-AWAY.

9. FRANK RESPONDED THAT WE HAD TO BE REALISTIC ABOUT THE
PROSPECTS FOR ACHIEVING ANY AID INCREASE UNLESS WE CONVINCE
THE U.S. CONGRESS AND THE PUBLIC. WE WANTED TO GIVE AS MUCH
DEVELOPMENT ASSISTANCE AS COULD BE REASONABLY AND REALISTICALLY
JUSTIFIED AND WOULD NOT FEEL BOUND BY UNATTAINABLE TARGETS.
FRANK SAID HE DID NOT THINK THAT BASIC HUMAN NEEDS PROJECTS
IN PUBLIC HEALTH, NUTRITION, AND RURAL DEVELOPMENT REQUIRED
ALL THAT MUCH CAPITAL. THEY REQUIRED MOSTLY TECHNICAL INPUTS
AND A BASIC POLICY COMMITMENT. WE WOULD FEEL IT IMPORTANT TO OBTAIN
A COMMITMENT OF FUNDS SUFFICIENT TO MEET THE CAPITAL REQUIREMENTS
OF A BASIC HUMAN NEEDS STRATEGY. OF THE TOTAL RESOURCES TRANSFERS,
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PROBABLY ONLY A FRACTION NEED BE DEVOTED TO DIRECT BASIC HUMAN
NEEDS PROJECTS. THE REST MIGHT BE MOST USEFULLY SPENT ON
INVESTMENTS IN ENERGY, NATURAL RESOURCES, AND BASIC ECONOMIC INFRA-
STRUCTURE IN DEVELOPING COUNTRIES.

NOTE BY OC/T: NOT PASSED NSC,,

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INFO OCT-01 ISO-00 SSO-00 (ISO)W
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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 8790
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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 8099

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10. PEREZ-GUERRERA ADDED POPULATION TO THE LIST. HE SAID THAT
THE VENEZUELAN WERE AS CONCERNED AS WE ABOUT THE NEED TO

REDUCE POPULATION GROWTH. HE SAID HE HOPED WE COULD GET AWAY FROM THE KISSINGER PROPOSAL FOR AN INTERNATIONAL RESOURCES BANK. HE SAID THAT THIS PROPOSAL WAS A RESPONSE TO A REAL NEED AND WE NEEDED TO DO SOMETHING ABOUT RATIONALIZING DEVELOPMENT OF WORLD RESOURCES, BUT THE IRB PROPOSAL WAS TOO HEAVILY WEIGHTED IN FAVOR OF THE MULTINATIONAL CORPORATIONS.

1. FRANK ASSURED HIM THAT WE ARE NOT PUSHING THE IRB PROPOSAL BUT WE AGREED THAT THERE WAS A REAL PROBLEM OF ENCOURAGING EFFICIENT INVESTMENT IN NATURAL RESOURCES IN DEVELOPING COUNTRIES.

12. PEREZ GUERRERO STRESSED AGAIN THAT OPEC COUNTRIES WANTED TO PUT THEIR MONEY INTO PRODUCTIVE INVESTMENTS THAT HAVE AN ECONOMIC RATE OF RETURN. FOR THIS REASON THEY WOULD DESIRE TO LEND MONEY ON COMMERCIAL TERMS AND TO BENEFIT FROM WORLD BANK AND IMF GUARANTEES.

13. FRANK SAID THAT WE RECOGNIZED THAT THE OPEC COUNTRIES WERE OFTEN POOR COUNTRIES WITH SURPLUS FUNDS TO INVEST AND
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IT IS REASONABLE FOR THEM TO WANT A RATE OF RETURN. THE DEVELOPED COUNTRIES MIGHT BE EXPECTED TO PROVIDE CAPITAL ON MORE CONCESSIONAL TERMS. ON GUARANTEES, THE OIL SURPLUS COUNTRIES SEEMED TO WANT ALL KINDS OF GUARANTEES, GUARANTEES OF THEIR PRINCIPLE, GUARANTEES AGAINST INFLATION, AND GUARANTEES AGAINST EXCHANGE RATE CHANGES. THIS WAS TOO MUCH TO EXPECT.

14. PEREZ GUERRERO SAID THAT WE SHOULD TAKE ACCOUNT OF THE FACT THAT THE SAUDI'S HAVE LITTLE INCENTIVE TO PRODUCE UNLESS THEY CAN GET A GOOD REAL RATE OF RETURNS ON THEIR FINANCIAL ASSETS. HE ASKED ABOUT THE POSSIBILITY OF DEVELOPED COUNTRIES PROVIDING INTEREST SUBSIDIES TO ADD A CONCESSIONAL ELEMENT TO OPEC CAPITAL.

15. FRANK SAID THAT INTEREST SUBSIDIES HAVE ADVANTAGES BUT THEY COULD CREATE THE IMAGE THAT THE DEVELOPED COUNTRIES WERE SUBSIDIZING THE OPEC COUNTRIES WHICH IS POLITICALLY UNACCEPTABLE IN THE DEVELOPED WORLD.

16. PEREZ-GUERRERO ASKED HOW WE MIGHT PUT TOGETHER A DEVELOPMENT COOPERATION PLAN OF THIS SORT. WOULD IT FIT INTO THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE NEXT DEVELOPMENT DECADE?

17. FRANK SAID THAT THE DEVELOPMENT STRATEGY OUGHT TO ENCOMPASS MORE THAN JUST RESOURCE TRANSFERS. IT OUGHT TO INCLUDE TRADE POLICY, COMMODITIES, INVESTMENT POLICY, TECHNOLOGY TRANSFERS, ETC. THE RESOURCE TRANSFER PLAN COULD

BE ONE COMPONENT, ALBEIT AN IMPORTANT ONE, OF THE NEW STRATEGY. WE MIGHT ESTABLISH A SMALL INTERGOVERNMENTAL COMMITTEE THAT WOULD DISCUSS THE RESOURCE TRANSFER PART OF THE DEVELOPMENT STRATEGY IN MORE DETAIL AND WORRY ABOUT THINGS SUCH AS USES OF THE CAPITAL (BASIC HUMAN NEEDS, CONFIDENTIAL

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ENERGY, OTHER NATURAL RESOURCES, FOOD PRODUCTION, POPULATION, ETC.) AND ABOUT THE CHANNELS FOR INVESTMENT CAPITAL (THE WORLD BANK REGIONAL DEVELOPMENT BANKS, BILATERAL, ETC.) THE COMMITTEE SHOULD PROBABLY INCLUDE THE SOVIETS AT SOME POINT SINCE WE WANTED TO GET THEM INTO THE WORLD DEVELOPMENT COOPERATION GAME. INITIALLY, WE SHOULD PROBABLY PROCEED ONLY INFORMALLY, PERHAPS BRING AN INFORMAL GROUP TOGETHER IN THE FALL AT THE TIME OF THE GENERAL ASSEMBLY. PERHAPS THE SECRETARY GENERAL COULD HOLD A SMALL PRIVATE LUNCHEON AT THE SUGGESTION OF THE VENEZUELAN.

18. PEREZ GUERRERA SAID THAT THE SECRETARY GENERAL WAS IN THE BAD GRACES OF THE G77 THESE DAYS. THE OIL PRODUCERS AND OTHERS RESENTED HIS WORLD ENERGY PLAN SPEECH AND THE AMBASSADORS IN GENEVA WERE UPSET ABOUT SOMETHING ELSE HE DID. (COMMENT: WE SUSPECT THAT THIS OTHER THING WAS THE SECRETARY GENERAL'S ROLE IN TRYING TO UNDERMINE THE EFFORTS OF THE UN RESTRUCTURING COMMITTEE UNDER THE CHAIRMANSHIP OF GHANIAN AMBASSADOR KENNETH DADZIE).

19. WE AGREED TO KEEP IN TOUCH AND CONSULT FURTHER AT THE TIME OF THE RESUMED 31ST SESSION OF THE UN GENERAL ASSEMBLY, SEPTEMBER 13-16.

VAKY

NOTE BY OC/T: NOT PASSED NSC.

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Message Attributes

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Disposition Approved on Date:
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TAGS: EGEN, VE, ECOSOC, UN, (YOUNG, ANDREW J), (PEREZ, CARLOS ANDRES)
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